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BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue  
Implementation and Administration, and  
Consider Further Development, of California  
Renewables Portfolio Standard Program.

Rulemaking 15-02-020  
(Filed February 26, 2015)

**REPLY COMMENTS  
OF THE OFFICE OF RATEPAYER ADVOCATES**

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June 3, 2016

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**I. INTRODUCTION**

Pursuant to the April 15, 2016 *Administrative Law Judge's Ruling Requesting Supplemental Comment on Interconnection Issues Related to the Bioenergy Feed-in Tariff Under the California Renewable Portfolio Standard and Stating Intention to Take Official Notice of Documents*, the Office of Ratepayer Advocates (ORA) submits these reply comments.

**II. DISCUSSION**

*1. What, if any, effect would adopting the BAC interconnection proposal have on interconnection procedures under Rule 21 and the Wholesale Distribution Access Tariff (WDAT)? Provide a detailed explanation of your position.*

Currently, under Rule 21 and WDAT, the standard BioMAT Power Purchase Agreement (PPA) requires a project to have an interconnection queue number, and the BioMAT tariff requires applicants to meet eligibility requirements including: passing the Fast Track screens; passing Supplemental Review; completing an Investor Owned Utility's (IOU) System Impact Study; and completing an IOU's Distribution Interconnection Study, Phase 1 Interconnection Study, or using an existing Interconnection Agreement to the extent permitted by an IOU's tariffs.<sup>1</sup> Rule 21 and WDAT also require project developers to comply with Interconnection Financial Security (IFS) requirements. The Bioenergy Association of California's (BAC) interconnection

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<sup>1</sup> SCE, p. 4.

proposal would waive the requirement to maintain an active interconnection position, certain requisite studies, and waive the required financial postings prior to a PPA. Southern California Edison (SCE) states that the BAC proposal misunderstands the purpose of the IFS by describing the IFS as a barrier to efficient interconnection process.<sup>2</sup> SCE explains that the IFS requires interconnection customers to make financial commitments in advance of generation facility construction to ensure project viability.<sup>3</sup> SCE further explains the interconnection process provides “off-ramps that allow less-than-committed customers to withdraw from the interconnection process before expending large amounts of their own resources on non-viable generating facilities.”<sup>4</sup>

ORA agrees with SCE. Rule 21 requires developers to pay financial postings and go through requisite studies to evaluate the costs and facilities necessary to accommodate an interconnection request. This requirement not only ensures developers’ financial commitment in advance of construction, but also tests project viability.

*2. The BAC interconnection proposal would allow projects to bid into BioMAT after investing only the cost of a Phase 1 interconnection study, without any additional fees for maintaining a position in the Rule 21/WDAT interconnection queue. What, if any, additional screens on project viability should the Commission require for projects that have received a Phase 1 study but have left the interconnection queue prior to receiving a BioMAT power purchase agreement (PPA)? Please provide a detailed rationale and provide examples, if relevant.*

SCE states Rule 21 does not have a provision allowing an interconnection request to remain active in the process without posting the required IFS.<sup>5</sup> San Diego Gas and Electric Company (SDG&E) states that a project must have an active queue position in order for a Phase 1 Interconnection Study to be valid and that, “once a project is removed

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<sup>2</sup> SCE, pp. 4-5.

<sup>3</sup> SCE, p. 6.

<sup>4</sup> SCE, p. 6.

<sup>5</sup> SCE, p. 6.

from the queue, the studies performed on that project may no longer be accurate at the time the project re-enters the interconnection queue.”<sup>6</sup>

ORA agrees with SCE and SDG&E. As discussed in Question 1, the Phase 1 Interconnection Study helps evaluate the upgrades necessary for accommodating the interconnection request and the estimated costs to interconnect. These study and interconnection costs are currently paid by the applicant. However, allowing projects to remain active in the interconnection process without an identified queue position could increase interconnection study costs and processing time for other projects in the queue if studies performed for the re-entering project become invalid or outdated. ORA is concerned that the increases in cost associated with additional study requirements or processing time could eventually be passed on to ratepayers through increased PPA costs. Therefore, if the Commission determines that projects can bid into the BioMAT after investing only on the cost of a Phase 1 Interconnection Study, and without any additional fees for maintaining a position in the Rule 21/WDAT interconnection queue, the Commission should also adopt Pacific Gas and Electric Company’s (PG&E) proposal to: (a) require developers to submit a complete Pre-Application Report to be eligible for the BioMAT Program; (b) require developers to provide an updated Pre-Application Report every 6 months while in the queue; (c) condition PPA effectiveness upon the seller receipt and delivery to PG&E of a complete qualifying interconnection study to be satisfied within 15 months of PPA execution; and (d) require Category 3 projects submit a higher Program Participation Request (PPR) fee of \$5/kW (compared to the existing \$2/kW). As PG&E explains, requiring a pre-application report updated every 6 months would help mitigate the risk of outdated information, and requiring an increased PPR fee would reduce speculative PPR submissions.<sup>7</sup>

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<sup>6</sup> SDG&E, p. 4.

<sup>7</sup> PG&E, pp. 10-11.

*3. What, if any, are the potential effects of the BAC interconnection proposal on the ability of BioMAT projects to meet their contractual commercial online date, i.e., 24 months after executing the PPA, with a possible six-month extension for interconnection delay? Please be specific and provide examples if relevant.*

In its opening comments, PG&E opposes BAC's proposal of allowing a PPA to become effective without an active interconnection study because it would "put developers at greater risk of not meeting the 24-month deadline."<sup>8</sup> SCE explains if an interconnection request withdraws after the Phase 1 results only to re-enter the interconnection queue later, the study and post study timeline must reset because "resources that may have been committed to the withdrawn project are released to work on other projects."<sup>9</sup> Similarly, SDG&E is concerned projects will not be able to come online if developers do not hold an active queue position because allowing projects to execute a PPA without a queue position will add uncertainty regarding the project's ability to meet its contractual online date.<sup>10</sup> The current interconnection process requirements provide assurance of project viability because the candidate project must have passed the Supplemental Review, completed an IOU's Systems Impact Study, and completed an IOU's Phase 1 Interconnection Study. Signing a PPA without this information could lead to contractual disputes, putting ratepayers at risk for litigation costs. Based on the IOUs comments, it not clear that the BAC proposal expedites the process. Instead, the BAC proposal could potentially delay project development, defeating the purpose of the Emergency Proclamation to expeditiously address excess tree mortality.

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<sup>8</sup> PG&E, pp. 4-5.

<sup>9</sup> SCE, p. 8.

<sup>10</sup> SDG&E, p. 4.

*4. Compare the potential impact on the administration of the BioMAT program of the BAC interconnection proposal to the Staff Proposal on interconnection, addressing at least the following issues:*

- a. Management of the interconnection queue*
- b. Interconnection costs for BioMAT participants*
- c. costs to ratepayers of BioMAT projects that receive PPAs*

- a) PG&E states that the BAC Proposal encourages applicants to apply for interconnection even though they do not intend to remain in the queue, whereas the Staff Proposal retains the Rule 21 requirement to maintain an active interconnection study.<sup>11</sup> SCE explains that an efficient management of interconnection process requires rules and any attempt to grant exceptions to allow certain projects to advance to the “front of the line” would have a detrimental impact on all other participants.<sup>12</sup> SDG&E states the biggest impact of BAC’s proposal is the increase in the likelihood of “zombie” PPAs taking up capacity although they may not be viable.<sup>13</sup> ORA agrees with PG&E, SCE, and SDG&E. Rule 21 and WDAT studies and agreements are intended to encourage viable project participation and efficient project queue management.
- b) BAC claims that interconnection costs will decrease under its proposal, but does not provide any supporting evidence.<sup>14</sup> PG&E states that because BAC’s proposal only requires participants to invest in the cost of the Phase 1 Interconnection Study, it may reduce the cost of participation for BioMAT participants, but will result in more project failures and terminations due to unrealistic short interconnection timeframe.<sup>15</sup> This could ultimately increase costs to ratepayers. PG&E explains the study costs in BAC’s proposal would be greater due to potential requirement for two qualifying studies (one prior and one post PPA).<sup>16</sup> BAC proposes that applicants who do not maintain an active queue position file an updated interconnection study upon entering into a PPA,<sup>17</sup> but it is not clear what an updated interconnection study would entail and whether it would be sufficient. SCE states BAC’s proposal adds to project uncertainty due to the risk of re-starting the interconnection process and associated delays.<sup>18</sup> ORA agrees with PG&E and SCE. Although the BAC

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<sup>11</sup> PG&E, p. 6.

<sup>12</sup> SCE, p. 8.

<sup>13</sup> SDG&E, p. 5.

<sup>14</sup> BAC, p. 6.

<sup>15</sup> PG&E, p. 7.

<sup>16</sup> PG&E, p. 7.

<sup>17</sup> BAC, p. 8.

<sup>18</sup> SCE, p. 9.

proposal could reduce costs for BioMAT participants by eliminating the financial postings while in the interconnection queue, the BAC proposal would increase ratepayer risk and add uncertainty as project costs may change.

- c) BAC claims that its proposal would significantly reduce costs for ratepayers by “significantly reducing the project risk and, therefore, the cost of pre-development capital.”<sup>19</sup> Contrarily, PG&E states BAC’s proposal may also lead to higher PPA prices if developers hedge the risk of interconnection cost uncertainty with the potential for a higher PPA price.<sup>20</sup> SCE states, “BAC seems to indicate that some of their members intend to enter the BioMAT queue and “wait it out” along with a least four other unaffiliated applicants in the hopes that the PPA price will rise to a level much higher than the starting price of \$127.72/MWH.”<sup>21</sup> SDG&E states that in addition to increasing the chance of non-viable projects, SDG&E is concerned that BAC’s proposal will encourage an increasing number of speculative projects to sit in the BioMAT program participation queue to take advantage of rising strike price.”<sup>22</sup> ORA agrees with PG&E, SCE, and SDG&E. The Commission established the Rule 21 and WDAT tariffs to require financial commitment from developers in advance of construction—preventing developers from filling the queue with non-viable projects that sit in the queue until the price rises to a level much higher than the starting price, blocking lower-priced viable projects, and resulting in an increase in cost to ratepayers. The BAC proposal would eliminate this protection and expose ratepayers to price manipulation/spikes.

*5. If the Commission were to adopt the BAC interconnection proposal, should it apply to the entire BioMAT program? Why or why not?*

ORA agrees with PG&E, SCE and SDG&E that if the Commission were to adopt the BAC interconnection proposal, it should only apply to BioMAT projects utilizing fuel from High Hazard Zones.<sup>23</sup> PG&E explains, the “stated purpose of the Ruling is to consider whether reasonable modifications can be made to the BioMAT Program to address the Emergency Proclamation.”<sup>24</sup> BAC’s original request to waive the active interconnection queue requirements was made specifically to expedite the Governor’s

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<sup>19</sup> BAC, p. 6.

<sup>20</sup> PG&E, p. 7.

<sup>21</sup> SCE, p. 9.

<sup>22</sup> SDG&E, p. 5.

<sup>23</sup> PG&E, p. 7; SCE, p. 10; SDG&E, p. 6.

<sup>24</sup> PG&E, p. 8.

Emergency Proclamation,<sup>25</sup> although now BAC requests that it apply to the entire BioMAT program.<sup>26</sup> Even if the Commission decides there is merit in streamlining the interconnection process to more easily address the Emergency Proclamation, any general changes to the interconnection process should take place in the Rule 21 proceeding, be based on identified problems with the existing process, and use stakeholder input to provide solutions.

*6. If the BAC interconnection proposal should not apply to the entire BioMAT program, should it apply only to generators in Category 3? Should only those generators using fuel from high hazard zones be included? Please provide a detailed rationale for your position.*

ORA agrees with PG&E, SCE and SDG&E that the BAC interconnection proposal, if adopted, should only apply to Category 3 projects utilizing high hazard zone fuel in order to support the Governor's Emergency Proclamation.<sup>27</sup> BAC discourages the Commission from limiting its proposal to high hazard zone fuels, claiming that all forest projects currently in development will take high hazard zone fuel and that high hazard zones will expand in the coming years, because CalFire recently expanded its high hazard zone designations and stated it will not re-evaluate high hazard zone designations for five years.<sup>28</sup> However, BAC does not substantiate its claim that all forest projects will utilize high hazard zone fuels, when there is no requirement that they do so and high hazard zones do not cover the entire state. Further, if CalFire does not plan to re-evaluate high hazard zones for five years, it is not clear how BAC can claim that high hazard zones will expand in coming years. The Commission adopted the BioMAT program earlier late last year after a rigorous stakeholder process, and has not yet had an opportunity to see how well it works. Any changes made now to address the Emergency Proclamation should be

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<sup>25</sup> BAC Opening Comments on ALJ Riling on the Staff Proposal to Implement the Governor's Emergency Proclamation on Tree Mortality and Seeking Comment on the Staff proposal, p. 16.

<sup>26</sup> BAC, p. 7.

<sup>27</sup> PG&E, p. 8; SCE, p. 11; SDG&E, p. 6.

<sup>28</sup> BAC, p. 7.



specific to Category 3 high hazard zone fuels. Applying changes to non-high hazard zone Category 3 fuels would not help address the Emergency Proclamation and would undermine all the work done on BioMAT to date.

*7. If the BAC interconnection proposal is adopted, should the Commission set a condition that the terms of the BAC interconnection proposal will expire once the tree mortality emergency declared by the Emergency Proclamation has been declared to be over? Should the Commission set a different expiration date? Please provide a detailed rationale for your position.*

ORA agrees with PG&E, SCE, and SDG&E that the Commission should condition the terms of the BAC interconnection proposal to expire once the Commission or other state authority has declared the tree mortality emergency to be over.<sup>29</sup> The purpose of the Ruling is to consider whether reasonable modification can be made to the BioMAT program to address the Emergency Proclamation. Therefore, in the event the emergency is declared over, any exemption provided to developers should be rescinded.

*8. What changes would be required to the BioMAT tariff and the BioMAT PPA in order to implement the BAC interconnection proposal? Please specify and justify the changes proposed. A redline version of the current tariff and/or PPA reflecting the proposed changes should be attached to the comments.*

ORA agrees with PG&E that current Rule 21 and WDAT tariffs are reasonable and important to ensuring project viability and timely interconnection, and that the Commission should not allow BioMAT participants to execute PPAs without an active interconnection study.<sup>30</sup> Executing a PPA without an active interconnection study increases the risk of non-viable projects and the potential that ratepayers could pay for unneeded infrastructure upgrades.

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<sup>29</sup> PG&E, p. 8; SCE, p. 11; SDG&E, p. 7.

<sup>30</sup> PG&E, p. 9.

### III. CONCLUSION

ORA respectfully requests that the Commission reject the BAC interconnection proposal. However, if the Commission determines projects can bid into the BioMAT after investing only in the cost of a Phase 1 interconnection study, the Commission should also adopt PG&E's proposal to: (a) require developers submit a complete Pre-Application Report to be eligible for the BioMAT Program; (b) require developers provide updated Pre-Application Report every 6 months while in the queue; (c) condition PPA effectiveness upon the seller receipt and delivery to PG&E of a complete qualifying interconnection study to be satisfied within 15 months of PPA execution; and (d) require Category 3 projects to submit a higher PPR fee of \$5/kW. If the Commission adopts BAC's proposal, it should only apply to Category 3 projects using high hazard zone fuel until the Commission or other state authority has deemed the tree mortality emergency over.

Respectfully submitted,

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